

Service Date: December 20, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * *

IN THE MATTER Of The Application)	UTILITY DIVISION
Of The MOUNTAIN STATES TELEPHONE)	DOCKET NO. 82.2.8
AND TELEGRAPH COMPANY For Authority)	ORDER NO. 4948b
To Increase Rates And For Approval Of)	
Tariff Changes For Telecommunications Service.)	

ORDER ON MOTIONS FOR RECONSIDERATION

FINDINGS OF FACT

1. On December 2, 1982 the Montana Public Service Commission issued Order No. 4948 in Docket No. 82.2.8, Mountain States Telephone and Telegraph Company, Inc.'s (hereinafter Mountain Bell) general rate case.

2. On December 10, 1982 the Montana Consumer Counsel (MCC) filed a Motion For Reconsideration of Order No. 4948. The motion asked for Commission reconsideration in the area of separations.

3. On December 13, 1982 Mountain Bell filed a Motion For Reconsideration and Application To Rehear. This motion requested reconsideration of the following areas:

1. License Contract and Business Information System Total Disallowance
2. Management Salary Increases
3. Flow-through of State Deferred Income Taxes
4. Pro Forma Interest Adjustment
5. Separations
6. Inter-exchange Conference Call Rate Design
7. Message Toll Service Rates.

4. On December 13, 1982 the Department of Defense (DOD) filed a Motion requesting the Commission to reconsider the pricing of Centrex non-access.

5. The Commission considered all Motions For Reconsideration on December 21 and 22, 1982. The Commission finds that reconsideration is warranted in the following areas:

1. Separations
2. Inter-exchange Conference Call Rate Design
3. Message Toll Service Rates
4. Centrex non-access

6. In the area of separations, Mountain Bell points out that Mr. Allen Buckalew had proposed an FX adjustment that would decrease intrastate revenue requirement by \$1,300,000. This adjustment was corrected by Mr. Buckalew during the course of the hearing. The revised adjustment was a decrease of \$605,271. The Commission overlooked this revision in Order No. 4948. The Commission finds that Finding of Fact No. 65 should be corrected to reflect this change.

7. The Commission further finds that this correction affects Finding of Fact No. 68 and Ordering paragraph No. 7. In these two sections the total adjustment amount of \$5,538,000 is recited. The correct amount of the total separations adjustments is \$4,811,000.

8. Although the Commission denies Montana Consumer Counsel's Motion For Reconsideration, one point in that motion should be commented on. MCC states that "the Commission appropriately adopted these same MCC-proposed separations adjustments in Docket No. 80.12.100, Order No. 4786b. . . In addition, Mountain Bell was put on notice as a result of Order No. 4786b that this Commission expected these changes to be implemented, yet the Company, did nothing to implement the same." This Commission did not make an adjustment in Docket No. 80.12.100 for use of calendar day (seven-day) usage studies in calculating separations factors. This portion of the proposed separations adjustment accounted for \$4.2 million of the total \$4.8 million adjustment.

9. Mountain Bell submitted two Motions For Reconsideration in the rate design area. The first request was for the Commission to not require rate design changes to the existing inter-exchange conference call rate structure (the Applicant's motion at page 13, paragraph 25, actually referred to intra-exchange service; however, Mr. Hyer confirmed that the Applicant's request is with regard to inter-exchange service). That is, to retain the existing rate structure and address this issue in the next general rate case.

10. The Applicant's request is denied. The Applicant's proposed rate design is preferred to the existing and is to be implemented resulting in a negative revenue effect of \$97,853. The Applicant is hereby informed that the Commission will scrutinize the value of service versus cost minimization rate design options for this monopoly offering in the next general rate case.

11. Mountain Bell's second motion was a request for the Commission to direct the Applicant to file tariffs which produce "the negative \$101,000 wholly through its intrastate toll category through additional rates for operator-assisted calls and a reduction of the toll schedule." This request by the Applicant actually melds the above motion, regarding conference call rate design, with the Commission directed negative revenue effect of \$3,678.0 for message toll service (MTS) and operator-assisted calls.

12. Due to the direction in Finding 10 above, the Commission necessarily denies the Applicant's second request. In addition, the Commission finds the Applicant's argument of the impossibility to develop a rate schedule which produces a negative revenue effect of \$3,678.0, to be weak. Given that test year billing determinants are constant, the Applicant need only increase all of the individual MTS rates in each mileage band by a uniform percent increase so that increased revenues equal to the Applicant's repression estimate are generated; if the charge per minute message mile has to be in fractions of a cent, the Commission so approves. The Applicant is directed to file workpapers verifying the negative revenue effect of \$3,678.

13. The U.S. Department of Defense (DOD) submitted a petition for the Commission to reconsider the approved revenue effect of \$278,614.0 for Centrex non-access (see Finding of Fact No. 122 in Order No. 4948).

14. The Commission grants the DOD request for reconsideration and concludes the following: First, the DOD is incorrect in stating that the Commission "ignored" the testimony of DOD witness, Rodney Frame; the Commission's decision to eliminate the declining block rate structure for Centrex non-access derived from Frame's testimony (see Finding Nos. 119 and 121 of Order No. 4948).

15. The Commission finds merit in the DOD request to reconsider the approved Centrex non-access rates. All Centrex non-access rate increases are to be constrained by a revenue effect equal to 150% of the existing test year revenues or an increase of 50% of the Applicant's requested revenue increase, whichever is less.

CONCLUSIONS OF LAW

1. Mountain States Telephone and Telegraph Company, Inc. is a corporation providing telephone and other communications services within the state of Montana and as such is a "public utility" within the meaning of MCA 59-3-101.
2. The Montana Public Service Commission properly exercises jurisdiction over Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.
3. The rates approved herein are just, reasonable and not unjustly discriminatory.

ORDER

1. Mountain Bell's Motion For Reconsideration of Order No. 4948 as it relates to the issues of Separation Adjustments and Pricing of Inter-exchange Conference Call Rate Design and Message Toll Service Rates, to the extent discussed in the above Findings of Fact, is HEREBY GRANTED.
2. The Department of Defense Motion For Reconsideration of Centrex non-access pricing, to the extent discussed in Findings of Fact No. 13 to 15 is HEREBY GRANTED.
3. Reconsideration of all other issues not specifically contemplated and/or granted herein, is HEREBY DENIED. On these issues, the Findings of Fact in Order No. 4948 are reaffirmed.
4. Mountain Bell's request to rehear and reopen the record on License Contract expenses is HEREBY DENIED.
5. Mountain Bell's final rate calculations are to be supported by detailed working papers showing: 1) test year sales; 2) Docket No. 82.2.8 rates; 3) the product of 1) and 2), summed, equaling the total revenue requirement less the existing revenue requirement.

DONE AND DATED a. Helena, Montana this 20th day of December, 1982, by a 4- 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Gordon E Bollinger, Chairman

John B. Driscoll, Commissioner, Dissenting

Howard L. Ellis, Commissioner

Clyde Jarvis, Commissioner

Thomas J. Schneider, Commissioner

ATTEST:

Madeline L. Cottrill

Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter. Judicial review may be obtained by filing a petition for review within thirty (30) days of the service of this order. Section 2-4-702. MCA.